

# **Domani Wealth, LLC**

SEC File Number: 801 – 80939

## **ADV Part 2A, Firm Brochure**

**Dated: March 7, 2022**

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**This brochure provides information about the qualifications and business practices of Domani Wealth, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (717) 846-6214 or [cco@domaniwealth.com](mailto:cco@domaniwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Domani Wealth, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Domani Wealth, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been material changes to this Brochure since the last annual amendment filing dated March 4, 2021. Specifically, Domani Wealth, LLC (the “Registrant”) has amended this Brochure at Item 14 below to reflect that it may pay referral compensation to solicitors. Certain non-material changes have been made at Items 4 to enhance disclosure regarding our advisory services.

**ANY QUESTIONS:** Domani’s Chief Compliance Officer, Scott D. Michael, remains available to address any questions regarding this amended Brochure.

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## Item 4      Advisory Business

- A. Domani Wealth, LLC (the “Registrant”) filed its initial SEC registration on January 29, 2015. However, its predecessor entities have been in business since November 1995. As a result of a purchase agreement, PBWM Holdings, LLC succeeded to the business of ParenteBeard Wealth Management, LLC and was required to file a new application as an investment adviser under the Investment Advisers Act of 1940. The Registrant is primarily owned by Hawthorne Wealth Management Holdings, LLC, the Registrant’s Managing Member. In September 2017 PBWM Holdings, LLC dba ParenteBeard Wealth Management changed its name to Domani Wealth, LLC.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a fee basis. The Registrant’s annual investment advisory fee shall vary (from 0.10% up to 1.25% of the total assets placed under the Registrant’s management) and shall be based upon various objective and subjective factors, including, but not limited to: the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client’s net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. (**See Fee Differentials** below). Before engaging Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. To commence the investment advisory process, Registrant will ascertain each client’s investment objective(s) and then allocate the client’s assets consistent with the client’s designated investment objective(s). Once allocated, Registrant provides ongoing supervision of the account(s)

Registrant also may render investment advisory services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) employer- sponsored retirement plans. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client’s retirement plan.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) either inclusive of its investment advisory services described above or on a stand-alone separate fee basis. For standalone financial planning and consulting engagements, Registrant’s planning and consulting fees are negotiable, but generally range from \$500 to \$5,000 on a fixed fee basis, and from \$100 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). In exceptional circumstances, a client’s fee for fixed fee or hourly financial planning and consulting services could exceed the ranges provided herein. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the

services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** Neither the Registrant, nor any of its employees, serves as an attorney, accountant, or insurance agent, and no portion of the Registrant's services should be construed as same. Accordingly, we **do not** prepare estate planning documents, tax returns or sell insurance products.

**Please Also Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided.

**Please Further Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

### **RETIREMENT PLAN CONSULTING**

The Registrant also provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. Registrant can be engaged for this service on either a discretionary or non-discretionary basis. These services could also include the creation and supervision of discretionary or non-discretionary asset allocation models, which plan participants may choose in managing their individual retirement account. The terms and conditions of the engagement shall generally be set forth in a separate agreement between the Registrant and the plan sponsor.

### **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by a client, Registrant shall provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below, but may, depending upon the amount of assets under management and/or scope of the services to be provided, determine to charge a separate and/or additional fee per the terms and conditions of a separate written agreement. Registrant's financial planning and consulting services may also be rendered on a standalone, separate fee basis for clients who do not receive investment advisory services. Unless otherwise agreed, Registrant's financial planning and consulting services do not include any implementation services. The client is free to accept or reject any recommendations made by Registrant in a financial plan and may choose to implement any accepted recommendations with the professional of the client's choosing.

At all times, it remains the client's exclusive responsibility to notify Registrant of any changes to the client's financial situation or planning objectives. When provided on a standalone basis, Registrant's financial planning and consulting services do not include ongoing monitoring or updating of the client's financial plan. If the client's financial situation or planning objectives change, the client may re-engage Registrant for an update to the client's previously-provided plan for a separate and additional fee. When financial planning is provided in conjunction with investment advisory services, Registrant does not provide ongoing monitoring, but will remain available to update any previously-provided financial plan, to the extent specifically requested by the client.

**Please Note:** Registrant **does not** serve as an attorney, accountant, or insurance agency, and no portion

of our services should be construed as same. Accordingly, Registrant **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non- investment implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** The Registrant believes that it is important for the client to address financial planning issues with the Registrant on an ongoing basis. The Registrant's fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address planning issues with the Registrant. The Registrant remains available to address planning issues with the client on an ongoing basis. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any question regarding the above.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis **must be willing to accept** that Registrant cannot affect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Registrant will be unable to affect the account transaction(s) (as it would for its discretionary clients) **without first obtaining the client's consent.**

**Please Note: Fee Differentials.** The Registrant shall price its services based upon various objective and subjective factors. As a result, Registrant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **ANY QUESTIONS: Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions regarding the above fee differential issue.**

**Please Note: Retirement Rollovers – No Obligation / Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. If Registrant provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant, whether it is from an employer's plan or an existing IRA. **The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such a rollover recommendation.**

**Please Note: Cash Positions.** Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to

be included as part of assets under management for purposes of calculating Registrant's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

**Independent Managers.** Registrant may also allocate (or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Registrant shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. **Please Note:** Depending on the nature of the engagement, such Independent Manager(s) may be contracted by: (i) a wrap program/managed account platform sponsor to provide asset management to participants on such platform, as discussed further in Item 4.D below; (ii) directly by Registrant to provide asset management services to Registrant's clients; or (iii) by both the client and Registrant in a tri-party agreement. In all instances, the investment management fee charged by the Independent Manager[s] is separate from, and in addition to, Registrant's advisory fee as set forth at Item 5 below.

**Account Aggregation Platforms.** The Registrant may provide periodic comprehensive reporting services, which can incorporate all of the client's investment assets including those investment assets that are not part of the assets managed by the Registrant (the "Excluded Assets"). The Registrant's service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because the Registrant does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not the Registrant, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The client and/or their other advisors that maintain trading authority, and not the Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, the Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that the Registrant provide investment management services with respect to the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between the Registrant and the client.

**Use of Mutual Funds and Exchange Traded Funds:** While the Registrant may recommend allocating investment assets to mutual funds and exchange traded funds ("ETFs") that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publicly-available mutual funds and ETFs that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds and ETFs without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services. **Please Note-Use of DFA Mutual Funds:** Registrant utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers approved by DFA. Thus, if the client was to terminate Registrant's services, and transition to another adviser who has not been approved by DFA

to utilize DFA funds, restrictions regarding additional purchases of, or reallocation among other DFA funds, will generally apply. **Please Also Note:** In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). **ANY QUESTIONS: Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the above.**

**Custodian Charges-Additional Fees:** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including Schwab, do not currently charge fees on individual equity transactions, others do). The Schwab fees/charges are in addition to Registrant's investment advisory fee at Item 5 below. Registrant does not receive any portion of these fees/charges. **ANY QUESTIONS: The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the above.**

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, market conditions, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Clients are still subject to the fees described in Item 5 below, even during periods of account inactivity.

**Interval Funds/Risks and Limitations:** Where appropriate, Registrant may utilize interval funds, and other type of closed-end funds that presented liquidity constraints. An interval fund is a non-traditional type of closed-end mutual fund that periodically offers to buy back a percentage of outstanding shares from shareholders. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals. During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired. There can also be situations where an interval fund has a limited amount of capacity to repurchase shares, and may not be able to fulfill all purchase orders. In addition, the eventual sale price for the interval fund could be less than the interval fund value on the date that the sale was requested. While an interval fund periodically offers to repurchase a portion of its securities, there is no guarantee that investors may sell their shares at any given time or in the desired amount. As interval funds can expose investors to liquidity risk, investors should consider interval fund shares to be an illiquid investment. Typically, the interval funds are not listed on any securities exchange and are not publicly traded. Thus, there is no secondary market for the fund's shares. Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some, or all, of the investment. There can be **no assurance** that an interval fund investment will prove profitable or successful. **In light of these enhanced risks, a client may direct Registrant, in writing, not to employ any or all such strategies for the client's account.**

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other designated professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Brochure.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV, along with Registrant's Form CRS (Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. **Unaffiliated Wrap Fee Program.** Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in an unaffiliated wrap and managed account fee platform through which Registrant may select and/or recommend certain Independent Manager(s) to manage client assets on a wrap fee basis. The platforms are sponsored by Charles Schwab & Co., Inc. ("Schwab") (the "Program Sponsor"). With respect to the wrap-fee program in which Registrant is a participating investment adviser, clients pay fees directly to the Program Sponsor who, in turn, remits a portion of those fees to the Independent Manager(s) selected and/or recommended for managing the client's account. A separate and additional advisory fee is remitted to Registrant by the client based upon an annual percentage of assets under management on a monthly basis, in accordance with Item 5 below.

In the event that Registrant is engaged to provide investment advisory services as part of an unaffiliated wrap-fee program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for as part of a bundled fee. Registrant's investment advisory fee is separate from and in addition to this bundled wrap fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. **Please Note:** Since the custodian/broker-dealer is determined by the unaffiliated wrap and/or managed account program sponsor, Registrant will be unable to seek better execution. As a result, clients may receive less favorable execution prices on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by Registrant. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client may have regarding participation in a wrap fee program.

- E. As of December 31, 2021, the Registrant had \$1,475,989,877 in assets under management on a discretionary basis and \$17,274,439 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a *fee-only* basis.



## INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis, the Registrant's annual investment advisory fee shall vary (from 0.10% up to 1.25% of the total assets placed under the Registrant's management) and shall be based upon various objective and subjective factors, as discussed further below.

**Please Note: Fee Differentials.** As indicated above, the Registrant shall price its services based upon various objective and subjective factors, including, but not limited to: the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. In addition, certain legacy clients may have accepted different pre-existing service offerings from Registrant and may therefore receive services under different fee schedules than as set forth above.

**Please Note:** If you are subject to a minimum fee (discussed further in Item 7), then depending on your asset level and the fee imposed, the sum of your monthly fees may be a higher percentage fee than the 1.25% referenced in the above fee paragraphs.

## FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$500 to \$5,000 on a fixed fee basis, and from \$100 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). In exceptional circumstances, a client's fee for fixed fee or hourly financial planning and consulting services could exceed the ranges provided herein. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

## RETIREMENT PLAN CONSULTING SERVICES

The Registrant also provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. Registrant's consulting fees are negotiable. Generally, they are between 0.25% and 1.00% of the assets placed under the Registrant's advisement. This fee is an annual fee and the timing of the fee payment may differ depending on the preference of the plan sponsor and the capabilities of the plan's recordkeeping platform. The Registrant will entertain fixed fee proposals as well.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients monthly in advance, based

upon the market value of the assets on the last business day of the previous month. The Registrant bills and collects fees from Retirement Plan Consulting clients on a quarterly basis generally in advance but, where necessary, consistent with the capabilities of the recordkeeping platform.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Unless the client's account is managed on a wrap fee basis, broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions in accordance with *Schwab*'s transaction fee and brokerage commission fee schedule. In addition to Registrant's investment management fee and brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "trade-away" fee charged by *Schwab*). In addition, asset management fees charged by any engaged Independent Manager(s) are separate from and in addition to Registrant's investment advisory fee.
- D. Registrant's annual investment advisory fee shall be prorated and paid monthly, in advance, based upon the market value of the assets on the last business day of the previous month. The Registrant generally requires an annual minimum fee of \$5,000 for investment advisory services. However, the Registrant, in its sole discretion, may waive or reduce this minimum fee requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, competition, negotiations with client, etc.). **Please Note:** Independent Manager(s) engaged to manage client assets may assess fees with a frequency and/or timing that differs that of Registrant. Clients are advised to carefully review any such Independent Manager's Disclosure Brochure for further details on its fee practices.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing period.

The Registrant bills and collects fees from Retirement Plan Consulting clients on a quarterly basis generally in advance but, where necessary, consistent with the capabilities of the recordkeeping platform.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither the Registrant nor any supervised person of the Registrant accepts performance- based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, pension and profit sharing plans,

business entities, trusts, estates and charitable organizations. The Registrant generally requires a minimum annual fee of \$5,000 for investment advisory services. However, the Registrant, in its sole discretion, may waive or reduce its minimum annual fee requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, competition, negotiations with client, etc.). **Please Note:** As a result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

**Please Also Note:** If you are subject to a minimum fee, then depending on your asset level and the fee imposed, the sum of your monthly fees may be a higher percentage fee than the 1.25% referenced in the fee paragraphs at Item 5. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client may have regarding its advisory fees.

## **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

A. The Registrant may utilize the following methods of security analysis:

- **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
- **Technical** – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- **Long Term Purchases** (securities held at least a year)
- **Individual Equities/Hedging:** In the event that a client transfers in or directs the purchase of a concentrated individual equity position (excluding exchange traded funds), the Registrant may utilize protective options to hedge against downside risk (to the extent the account is approved for margin/options trading).

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategy - Long Term Purchases - is a fundamental investment strategy. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

Although not used or recommended for investment purposes, the Registrant may also implement and/or recommend use of margin. Use of margin carries a high level of inherent risk. (See discussion below).

Margin can be used as an investment strategy with a high level of inherent risk. Registrant does not generally recommend the use of margin loans or securities based loans (collectively, “SBLs”) as an investment strategy, in which the client would leverage borrowed assets as collateral for the purchase of additional securities. However, Registrant may recommend that a client establish a margin account with the client’s broker-dealer/custodian or their affiliated banks (each, an “SBL Lender”) to access SBLs for financial planning and cash flow management purposes. For example, Registrant may deem it advisable for a client to borrow money on margin to pay bills or other expenses such as financing the purchase, construction, or maintenance of a real estate project. Unlike a traditional real estate-backed loan, an SBL has the potential benefit of: enabling borrowers to access to funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor.

The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client’s securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at any time. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts. The following describes some of the risks associated with SBLs, which Registrant recommends that clients consider before participating in an SBL program:

1. **Increased Portfolio Risk, Including the Risk for Potential Losses in the Event of a Downturn:** Borrowing money on margin to pay bills or other expenses increases a client’s level of exposure to market risk and volatility. The more money a client borrows on margin, the greater the market risk. This is especially true in the event of a significant downturn in the value of the assets used to collateralize the SBL. In some circumstances, clients may lose more money than they originally invested and borrowed. As the marginable investments in a client’s portfolio provide the collateral for the SBL, the value of that collateral fluctuates according to market activity, while the amount the client borrows stays the same.
2. **The Potential Obligation to Post Collateral or Repay the SBL if the SBL Lender Determines that the Value of Collateralized Securities is No Longer Sufficient to Support the Value of the SBL:** The SBL requires a certain minimum value of equity to continue service of the SBL (the “Maintenance Requirement”). If the value of the client’s portfolio securities decline in value, so does the value of the collateral supporting the SBL. If the value of the SBL collateral declines to an amount where it is no longer sufficient to support the borrower’s line of credit or loan, the SBL Lender will issue a “Maintenance Call” (also referred to as a “margin call”). In that event, the client would be required to post additional collateral or repay the SBL within a specified period of time. The SBL Lender is also commonly entitled to increase its Maintenance

Requirement at any time, without having to provide prior written notice to the borrower. As a result, borrowers are subject to risk of repayment of the loan and should be aware of such risks when foregoing a traditional mortgage to finance a real estate purchase.

3. The Risk that the SBL Lender may Liquidate the Client's Securities to Satisfy its Demand for Additional Collateral or Repayment: The SBL Lender commonly reserves the right to render the borrower's repayment immediately due, and/or terminate the SBL at any time without cause, at which point, the outstanding SBL balance would become immediately due and payable. However, if the borrower is unable to add additional collateral to their account or repay the loan with readily available cash, the SBL Lender can typically liquidate the borrower's securities and keep the cash to satisfy the Maintenance Call. When liquidating the securities of the borrower's investment portfolio, the SBL Lender usually reserves the right to decide which securities to sell to protect its interests, and is not necessarily required to provide written notice of its intentions to liquidate. Accordingly, clients who borrow money through an SBL should be aware of this risk and that such risk is not limited to the margin in the client's account which could result in the client having to owe additional money or collateral to the SBL lender after the positions are liquidated. It is therefore possible that a client can lose more money than what the client originally invested into the portfolio.
4. Liquidity Risk: SBLs also have a significant effect on the liquidity of a client's portfolio. Namely, a security (whether an equity, mutual fund or ETF) that is used as collateral for an SBL loses its liquidity as long as the SBL is outstanding. Decreased liquidity increases portfolio risk and restricts a client's access to their funds, which clients should strongly consider before using an SBL.
5. Risk of Margin as an Investment Strategy, Impact on Fees, and Associated Conflict of Interest: Although Registrant does not recommend the use of margin as an investment strategy, in which the client would borrow money leveraged against securities it holds to purchase additional securities, clients choosing to do so would be subjected to the risks described above. In addition, if a client determines to use margin to purchase assets that Registrant will manage, Registrant would include the entire market value of the margined assets when computing its advisory fee. Conversely, Registrant generally nets any margin balance owed by a client account against the account's market value when calculating its advisory fee. A conflict of interest would arise when Registrant recommends that a client satisfy its outstanding margin loan balance using assets from an outside account, rather than selling securities in the margined account to satisfy the outstanding loan, because such recommendation could be made on the basis of attempting to maximize Registrant's advisory fee, rather than basing such recommendation on a particular client's need.

**Use of Independent Managers.** Consistent with a client's financial situation and investment objectives, Registrant may allocate, or recommend a client allocate, some or all client assets to one or more unaffiliated Independent Investment Managers, as discussed in Item 4 above. Investment strategies employed by such Independent Managers, and their associated risks, are not comprehensively detailed in this Disclosure Brochure. To the extent applicable, clients are strongly advised to review the Disclosure Brochure of any such engaged Independent Manager, a copy of which will be provided to any applicable client, for a more complete discussion of the relevant Independent Investment Manager's investment strategies and associated risks.

Independent Managers utilized by Registrant include, but are not necessarily limited to, Crawford Investment Counsel, Inc. ("Crawford"), an unaffiliated registered investment adviser. Specifically, Registrant may make use of Crawford's Dividend Growth strategy, which generally seeks to identify high-quality companies with consistent dividend yields and dividend growth. As stated above,

clients are strongly advised to review Crawford's Disclosure Brochure for a complete discussion of the Dividend Growth Strategy and associated risks.

**Covered Calls.** Registrant and certain Independent Manager[s] utilized by Registrant in the management of client accounts may also engage in Covered Call strategies. Covered call writing is the sale of in-, at-, or out-of-the-money call options against a long security position held in a client portfolio. This type of transaction is intended to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position before its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. There can be no assurance that the security will not be called away by the option buyer, which will result in the client (option writer) to lose ownership in the security and incur potential unintended tax consequences. Covered call strategies are generally suited for positions with little price volatility.

**Please Note – Legacy Arrangements:** An extremely limited number of accounts continue to be managed in a different manner than that which is described above, including but not limited to investments through third party asset management programs and/or private investment funds. The Registrant does not intend to offer such services to any clients going forward. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client may have regarding these legacy arrangements and associated risks.

- C. Currently, the Registrant primarily allocates client investment assets among various mutual funds and exchange-traded funds ("ETFs"), and, to a lesser extent, individual equity (stocks) and debt (bonds) securities and Independent Manager[s], on a discretionary or non-discretionary basis in accordance with the client's designated investment objective(s). (*See* Independent Manager[s] in Item 4 above).

Risks associated with these asset types include:

1. Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
3. Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
4. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
5. Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy

and/or a declining market value.

6. **Market Risk (Systematic Risk):** Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of your portfolio will fluctuate, there is a risk that you will lose money.
7. **Unsystematic Risk:** Unsystematic risk is the company-specific or industry-specific risk in a portfolio. The combination of systematic (market risk) and unsystematic risk is defined as the portfolio risk that the investor bears. While the investor can do little to reduce systematic risk, he or she can affect unsystematic risk. Unsystematic risk may be significantly reduced through diversification. However, even a portfolio of well-diversified assets cannot escape all risk.
8. **Credit Risk:** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact performance. Credit risk is greater for fixed income securities with ratings below investment grade (BB or below by Standard & Poor's Rating Group or Ba or below by Moody's Investors Service, Inc.). Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.
9. **Income Risk:** Income risk is the risk that falling interest rates will cause the investment's income to decline.
10. **Call Risk:** Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.
11. **Purchasing Power Risk:** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply. Rising inflation means that if you have \$1,000 and inflation rises 5 percent in a year, your \$1,000 has lost 5 percent of its value, as it cannot buy what it could buy a year previous.
12. **Political Risks:** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
13. **Regulatory Risk:** Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
14. **Risks Related to Investment Term:** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not what we believe it is truly worth. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value.

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as ETFs and mutual funds are required by law to distribute capital gains in the

event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a mutual fund or ETF client or investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes in the market value of the fund's holdings. The trading prices of a mutual fund's shares can differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies can cause the shares to trade at a premium or discount to their pro-rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. While clients and investors may be able to sell their ETF shares on an exchange, ETFs generally only redeems shares directly from shareholders when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

**Interval Funds.** When consistent with a client's investment objectives, Registrant may allocate investment assets to "interval funds." Investment companies structured as "interval funds" are generally designed for long-term investors that do not require daily liquidity. Shares in interval funds typically do not trade on the secondary market. Instead, their shares are subject to periodic redemption offers by the fund at a price based on net asset value. Thus, if we determined that the fund was no longer performing or if you ever determined to transfer your account, the Fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the Fund could be substantially different (positive or negative) than the Fund value on the date that the sale was requested. Interval funds investing in securities of companies with smaller market capitalizations, derivatives, or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk.

## **Item 9           Disciplinary Information**

The Registrant has no reportable disciplinary information.

## **Item 10           Other Financial Industry Activities and Affiliations**

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **1492 Capital Management, LLC.** Due to commonality of control, the Registrant and 1492 Capital Management, LLC ("1492") may be deemed to be under common control as defined



on Form ADV Part 1. 1492 is an SEC-registered investment adviser.

**Conflict of Interest:** The recommendation by Registrant that a client utilizes the services of 1492 or any of its proprietary funds and/or investment strategies presents a conflict of interest, as the receipt of compensation by Registrant's owner may provide an incentive to recommend. However, the owner who may "control" both the Registrant and 1492 is not involved in the day-to-day operations of the Registrant, and therefore the Registrant does not believe there is a conflict of interest. No compensation is paid by Registrant or 1492 in exchange for referrals. **No client of Registrant is under any obligation to invest assets with 1492 and/or any of 1492's proprietary funds and/or strategies, and clients may place restrictions on Registrant's investment management in writing at any time. The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Founders, LLC.** The Registrant is a partial owner of an affiliated entity, Founders, LLC ("Founders"), which provides administrative trust services under a white label in conjunction with "Counsel Trust Company." In some instances, Registrant may recommend that clients utilize Founders / Counsel Trust Company for trust and administrative trust services in exchange for certain fees. Therefore, the recommendation that a client utilize Founders / Counsel Trust Company's services presents a material conflict of interest because the Registrant and/or its related persons may indirectly benefit from the payment of these fees to Founders / Counsel Trust Company. This indirect benefit may provide an incentive to recommend Founders / Counsel Trust Company based on economic benefits, rather than on a particular client's need. No client is under any obligation to engage Founders or Counsel Trust Company to provide such services. Clients are reminded that they may engage other, non-affiliated trust company or administrative trust service providers. **The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive compensation for recommending or selecting other investment advisors for its clients.

## **Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Except as disclosed in Item 10.C above, neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for

investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

In the event that the client requests that Registrant recommend a broker-dealer/custodian for execution and/or custodial services, Registrant generally recommends that investment advisory accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the transaction fees paid by Registrant’s clients shall comply with Registrant’s duty to obtain best execution, a client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where Registrant determines, in good faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, transaction rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions. Unless services are provided in conjunction with a wrap program, transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant’s investment advisory fee. The Registrant’s best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Non-Soft Dollar Research and Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from *Schwab* (or another broker-dealer/custodian, investment manager, platform or fund sponsor,

or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Registrant to *Schwab*, or any other any entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

2. The Registrant does not receive referrals from broker-dealers.
  3. **Directed Brokerage:** Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.
- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale

orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13            Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other-than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

### **Item 14            Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, the Registrant can receive economic benefits from *Schwab*. The Registrant, without cost (and/or at a discount), can receive support services and/or products from *Schwab*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

- B. If a client is introduced to Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Registrant's written Brochure, together with a copy of a separate written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Registrant and the solicitor, including the compensation to be received by solicitor from the Registrant.

### **Item 15            Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian

on a monthly or quarterly basis depending on the nature of the client (i.e. Individual vs. Qualified Retirement Plan). Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

The Registrant engages in other practices and services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of the practices and services subject the affected account(s) to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. In addition, certain clients have signed asset transfer authorizations which permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to "third parties." These arrangements are also reflected at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

## **Item 16 Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. Unless voted by an *Independent Manager[s]*, or unless otherwise agreed to, in writing, by the Registrant, the Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Unless the Registrant agrees to vote client proxies, in writing, clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to

meet its contractual commitments relating to its discretionary authority over certain client accounts.

- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Scott D. Michael, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**